

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-5234

November 3, 2022

R E S O L U T I O N

Resolution E-5234. Southern California Edison Company's Mid-term Reliability Energy Storage Contracts and Solar Photovoltaic Form of Agreement Submitted Pursuant to Decision 21-06-035

PROPOSED OUTCOME:

- This Resolution approves five Southern California Edison's Company's ("SCE") Mid-term reliability energy storage contracts and a solar photovoltaic form of agreement and related costs for a total of 481 megawatts of nameplate capacity expected to come online August 1, 2023, or June 1, 2024.

SAFETY CONSIDERATIONS:

- SCE's Technology Neutral Pro Forma Contract requires the Seller to operate the energy storage facility in accordance with "Prudent Electrical Practices." See Section 6.01(a) of SCE's Technology Neutral Pro Forma Contract.
- SCE's Technology Neutral Pro Forma Contract also includes a provision providing that, prior to commencement of any construction activities on the project site, the seller must provide to SCE a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the project in accordance with Prudent Electrical Practices.

ESTIMATED COST:

- Contract costs are confidential at this time.

By Advice Letter ("AL") 4850-E, Filed on August 17, 2022.

SUMMARY

This Resolution approves five mid-term reliability (“MTR”) energy storage contracts (the MTR Contracts) for 474 megawatts (“MW”) of nameplate capacity, expected to provide 433 to 445 MW of incremental September net qualifying capacity (“NQC”)¹, that SCE procured to satisfy a portion of its 2023 and 2024 MTR requirements. These contracts include three resource adequacy (“RA”) only contracts and two RA with put option contracts (i.e., RA contracts where the seller also has the option to put the dispatch rights to SCE). The MTR Contracts are for new in-front-of-the meter (“IFOM”) energy storage projects. This Resolution also approves the form and substance of a 7 MW Solar Photovoltaic (“PV”) contract, a required condition of two of the energy storage contracts.

BACKGROUND

Mid-Term Reliability Decision

On June 24, 2021, the Commission adopted Decision (“D.”) 21-06-035 to address the mid-term reliability needs of the electricity system within the California Independent System Operator’s (“CAISO’s”) operating system by requiring at least 11,500 MW of additional NQC to be procured by load-serving entities (“LSEs”) subject to the Commission’s integrated resource planning (“IRP”) authority (referred to herein as the “MTR Decision”). The capacity requirements were specified by year, beginning with 2,000 MW of additional NQC in 2023, 6,000 MW in 2024, 1,500 MW in 2025, and 2,000 MW in 2026.²

Regarding the type of generation to be procured under the MTR Decision, the Commission notes that “[w]e are specifically ordering that the resources from Diablo Canyon be replaced with at least 2,500 MW of zero-emitting generation, generation paired with storage, or demand response resources. We also expect that all of the resources procured pursuant to this order will be zero-emitting, unless they otherwise qualify under the renewables portfolio standard eligibility requirements.”³

¹ September NQC was determined by utilizing the “Incremental ELCC Study for Mid-term Reliability Procurement” by E3 and Astrape. The ELCC factors vary by Tranche/compliance year and technology type. The range of 433-445 MW of incremental NQC reflects the option that deliveries for two of the contracts may begin in August 2023 or by June 1, 2024 in the event there is an interconnection delay beyond the reasonable control of the seller.

² D.21-06-035 OP 1.

³ *Id* at 2.

The MTR Decision provides that the “zero-emitting capacity shall have the following characteristics:

- (a) Be from a generation resource, a generation resource paired with storage (physically or contractually), or a demand response resource;
- (b) Be available every day from 5 p.m. to 10 p.m. (the beginning of the hour ending 1800 through the end of hour ending 2200), Pacific Time, at a minimum; and
- (c) Be able to deliver at least 5 megawatt-hours of energy during each of these daily periods for every megawatt of incremental capacity claimed.”⁴

As documented in Table 6 of the MTR Decision, SCE’s total share of the procurement requirement is 3,948 MW, with 687 MW to be online by August 1, 2023; 2,060 MW by June 1, 2024; 515 MW by June 1, 2025; and 687 MW of long lead time (“LLT”) resources to be online by 2026. These totals include a minimum of 858 MW of zero-emitting capacity by 2025. Due to the deregistration of two community choice aggregators, Western Community Energy and the City of Baldwin Park, SCE’s total procurement requirements have increased to 4,052 MW, with 705 MW online by August 1, 2023; 2,114 MW by June 1, 2024; 529 MW by June 1, 2025; and 705 MW of LLT resources by 2026.⁵ These revised totals include a minimum of 880 MW of zero-emitting capacity by 2025.

The MTR Decision also requires that all contracts with resources (including imports), used to satisfy the MTR requirements shall have a minimum duration of 10 years and provides that the Investor-Owned Utilities (IOUs) are required to seek cost recovery for most of their MTR procurement capacity, with the exception of pumped storage or utility-owned resources, through Tier 3 ALs.⁶

SCE’s Mid-Term Reliability Procurement Process

On July 30, 2022, SCE launched its Midterm Reliability Request for Offers (“MTRRFO”), soliciting third-party offers based on the MTR Decision for deliveries starting in the

⁴ D.21-06-035 OP 9 and 13.

⁵ See SCE Advice Letter 4589-E; SCE Advice Letter 4739-E.

⁶ D.21-06-035OP 13.

years 2023-2024. The following table documents SCE’s initial MTRRFO schedule as published at the RFO launch.

Date	RFO Event
July 30, 2021	RFO Launch
August 4, 2021	Bidders’ Conference
August 13, 2021	Offer Submittal for Fast Track
August 13, 2021	Indicative Offer Submittal for Standard Track
October 15, 2021	Shortlisting Notification for Fast and Standard Tracks
December 10, 2021	End of Contract Execution Period for Fast Track
March 4, 2022	Final Offer Submittal for Standard Track
April 29, 2022	Contract Execution for Standard Track

To participate in the MTRRFO, projects were required to be zero-emitting resources, including standalone renewable resources, able to generate during the CAISO-defined net peak hours, renewable generation paired with energy storage, or standalone energy storage.⁷ To be eligible for the Diablo Canyon replacement category, resources also had to be:

- a zero-emitting generation resource or a generation resource paired with storage, or a demand response resource (standalone storage not permitted);
- available every day from 5 p.m. to 10 p.m. (the beginning of hour ending 18:00 through the end of hour ending 22:00), Pacific Time, at a minimum; and
- able to deliver at least 5 megawatt-hours of energy during each of these daily periods for every MW of incremental capacity claimed. (e.g., must be a resource capable of delivering for 5 consecutive hours).

SCE’s initial solicitation included RA-only and RA with put option contracts. SCE also expressed a preference for preferred and energy storage resources located in disadvantaged communities (“DACs”) and expressed a preference for larger projects.

SCE utilized two tracks in the MTRRFO:

1. Fast Track. Projects coming online by August 1, 2023, and select projects with June 1, 2024 online dates.

⁷ SCE AL 4850-E at 6.

2. Standard Track. Projects that will fulfill the balance of the June 1, 2024 MTR requirements.

On October 29, 2021, SCE notified Fast Track bidders of their shortlist status and the additional eligibility requirements that bidders needed to satisfy to remain on the shortlist and proceed with negotiations. Next, on November 19, 2021, SCE held a webinar on MTRRFO pro forma contract updates.

On January 28, 2022, given the amount of time that had elapsed since initial offers were submitted, SCE sent a notice to the 2024 bidders asking them to confirm their initial offers. If bidders did not confirm their initial bids, SCE allowed the bidders to refresh their offers. SCE also released a new product term sheet, Financially Settled Toll, and allowed bidders to submit new 2024 offers for this product.

Mid-term Reliability Procurement Requests

On March 4, 2022, SCE submitted its first MTR procurement advice letter, AL 4739-E, seeking approval for five energy storage contracts (for a total of 497 MW of nameplate capacity) executed to satisfy a portion of its 2023 and 2024 MTR procurement requirements. On May 19, 2022, the Commission issued Resolution E-5205, which approved SCE's five energy storage contracts and all of the other requested relief in AL 4739-E, except for the request that the Commission not enforce the 3 MW 2023 MTR procurement requirement associated with City of Baldwin Park's load until 2024.

On May 19, 2022, SCE submitted AL 4800-E requesting approval of an MTR energy storage contract negotiated as part of the MTRRFO Fast Track process, for a total of 75 MW in nameplate capacity to be used to help satisfy its August 1, 2023 MTR procurement requirements. On August 25, 2022, the Commission issued Resolution E-5225, approving AL 4800-E.

On August 17, 2022, SCE submitted AL 4850-E requesting approval of the MTR contracts entered into as a result of the Fast Track and Standard Track of SCE's MTRRFO, including the form and substance of the Silver Peak PV Contract.⁸ The MTR contracts, totaling 474 MW of nameplate capacity, are expected to provide 433 to 445 MW of incremental September NQC to be used to satisfy a portion of SCE's MTR

⁸ On September 1, 2022, SCE filed a confidential substitute sheet correcting a few minor errors in its original filing.

requirements for August 1, 2023 or June 1, 2024. These projects are summarized in the table below:

Counterparty / Project Name	Technology Type	Contract Type	Expected Delivery Period	Name Plate Capacity	September NQC as Contract ELCC Value for MTR Compliance (1)	Located in DAC
174 Power/Total Energies (Silver Peak Solar, LLC) – Silver Peak II project (2)	Energy Storage	RA With Put	8/1/2023- 7/31/2033 (3)	109 MW	105 MW	No
			6/1/2024- 5/31/2034		99 MW	
174 Power/Total Energies (Silver Peak Solar, LLC) – Silver Peak III project (2)	Energy Storage	RA Only	8/1/2023- 7/31/2033 (3)	110 MW	106 MW	No
			6/1/2024- 5/31/2034		100 MW	
174 Power/Total Energies (Silver Peak Solar, LLC) – Silver Peak PV project	Solar PV	Entire Output	6/1/2024- 5/31/2034	7 MW	N/A (4)	No
AES (McFarland Solar A, LLC) – McFarland Solar A project (2)	Energy Storage	RA Only	6/1/2024- 5/31/2038	100 MW	91 MW	No

Hecate Grid (Hecate Grid Humidor Storage 115 LLC) – Humidor Storage 115 project (2)	Energy Storage	RA Only	6/1/2024- 5/31/2039	115 MW	104 MW	No
Next Era (Proxima Solar, LLC) – Proxima Storage I project (2)	Energy Storage	RA With Put	8/1/2023- 7/31/2038	40 MW	39 MW	Yes
6 Contracts Total	Energy Storage/Solar PV	Various	Various	481 MW Nameplate	433-445 MW	Varies

1. September NQC was determined by utilizing the Incremental ELCC Study for Mid-term Reliability Procurement by E3 and Astrape, updated October 22, 2021.
2. The Silver Peak II, III, and PV projects share a point of interconnection; however, the projects have sufficient interconnection capacity to cover their full output and no charging/discharging restrictions. Similarly, the McFarland Solar A and Proxima Storage I energy storage projects share points of interconnection with solar PV projects and the Humidor Storage 115 project shares a point of interconnection with another energy storage project; however, SCE is only purchasing the RA or RA with put option associated with these specific energy storage projects, the projects have sufficient interconnection capacity to cover their full output, and there are no charging/discharging restrictions. As such, the Silver Peak II, Silver Peak III, McFarland Solar A, Humidor Storage 115, and Proxima Storage I projects should be treated like stand-alone energy storage projects for purposes of RA and MTR counting. SCE calculated the ELCC value for MTR compliance for these projects using only the nameplate capacity of the energy storage projects multiplied by the ELCC factor for a 4-hour battery for Tranche 1 or 2, as applicable.
3. The Silver Peak energy storage contracts have the option to begin deliveries by August 1, 2023, or by June 1, 2024 in the event of an interconnection delay beyond the reasonable control of seller. Currently, SCE expects that the Silver Peak energy storage contracts are more likely to begin deliveries by June 1, 2024.
4. The Silver Peak PV project will not have any deliverability and therefore is not expected to provide capacity toward SCE's MTR procurement requirements.

SCE notes that it utilized least-cost-best-fit (“LCBF”) principles in the evaluation process for the MTRRFO. This methodology takes into account both quantitative and qualitative attributes associated with offers to arrive at the best value and most cost-effective solution for customers that meet the identified incremental RA needs.

SCE also utilized a net present value (“NPV”) method in performing its quantitative assessment of offers. An NPV methodology entails forecasting (1) the project benefits and costs over the life of the offer; (2) applying time value of money (3) estimating the net present value as the present value of the benefits minus the present value of the costs; and (4) normalizing the ranking of each offer by an NPV metric. The NPV metric used in the MTRRFO is NPV per MTR compliance kW-month.

SCE also assesses the nonquantifiable characteristics of each offer by performing an analysis of the qualitative attributes of each project during both the shortlist and final selection processes.

SCE engaged Sedway Consulting Inc. (“Sedway Consulting”) as the Independent Evaluator (“IE”) to oversee the MTRRFO. SCE notes that Sedway Consulting was involved in the review of MTRRFO documents, reviewed SCE’s offer valuation process, conducted its own independent evaluation, participated in numerous conference calls and negotiation sessions, and reviewed email exchanges and other documents exchanged by SCE and bidders. Sedway Consulting also participated in the PRG communications. Sedway Consulting provided a report on the MTRRFO, (the “IE Report”), which is included as Confidential/Public Attachment D.

Diablo Canyon Replacement Requirements for Zero-Emitting Capacity

In compliance with the MTR Decision Diablo Canyon replacement requirements, SCE states that it “intends to contractually pair separate energy storage contracts and renewable generation contracts to meet the Diablo Canyon replacement requirements set forth in the Decision.”⁹

SCE notes that it has included language in its Silver Peak II and III contract and its Humidor contract that require the “projects to be designed to be capable of being available and delivering their storage capacity between 5:00 and 10:00 p.m. during the

⁹ SCE AL 4850-E at 22.

delivery period and to be designed to be capable of charging between 9:00 a.m. and 5:00 p.m. during the delivery period.”¹⁰

SCE also notes that it plans to “use the energy-only Silver Peak PV Contract as one of the renewable generation contracts that is contractually paired with separate energy storage contracts to meet the requirement of contractually pairing a generation resource with storage in [Ordering Paragraph (“OP”)] 6 of the Decision.”¹¹ SCE argues that the MTR Decision does not require the generation component that is paired with the storage to have full capacity deliverability status. Further, SCE notes that any energy-only renewable generation contract including the Silver Peak PV Contract, will provide emission-free energy fulfilling the purpose of the generation component of the MTR requirements.

SCE also explains that it plans to demonstrate compliance with the Diablo Canyon replacement requirements in future IRP compliance filings. However, SCE request (in response to this AL) that the Commission issue a finding that,

“contractually pairing separate energy storage contracts (including RA-only and RA with put option contracts) and renewable generation contracts (including energy-only contracts), meets the requirement of contractually pairing a generation resource with storage in OP 6 of the Decision, and that SCE’s Silver Peak II, Silver Peak III, and Humidor Contracts count towards the capacity procurement requirement in OP 6 of the Decision, and the Silver Peak PV Contract counts towards the clean energy procurement requirement in OP 6 of the Decision.”¹²

Cost Recovery

SCE proposes to allocate the costs associated with the MTR Contract and the Silver Peak PV Contract to applicable customers,¹³ using the Portfolio Allocation Balancing Account (“PABA”) in accordance with Advice Letter 4589-E.¹⁴ Pursuant to Advice Letter 4589-E, costs and benefits associated with procurement complying with the MTR Decision will

¹⁰ *Id* at 23.

¹¹ *Id* at 23.

¹² SCE AL 4850-E at 23-24.

¹³ Includes bundled service customers and departing load customers with 2021 vintage cost responsibility.

¹⁴ AL 4589 approved tariff revisions related to MTR procurement cost due to transfer of Western Community Energy customers.

be recovered from applicable customers through the 2021 vintage sub-account of the PABA and include incremental administrative costs.¹⁵

Safety

The MTR Contracts for which SCE seeks approval requires the seller to operate the energy storage facility in accordance with “Prudent Electrical Practices.”¹⁶ The contracts also include a provision providing that, prior to commencement of any construction activities on the project site, the seller must provide to SCE a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the project in accordance with Prudent Electrical Practices.¹⁷

Advice Letter Request

In AL 4850-E, SCE requests that the Commission adopt a resolution no later than October 20, 2022. SCE specifically requests that the resolution contain the following:

1. Approval of the MTR Contracts in their entirety;
2. A finding that the MTR Contracts are consistent with the MTR Decision;
3. A finding that the MTR Contracts are for a total of 433 to 445 MW of expected incremental September NQC for purposes of MTR compliance and that the incremental September NQC of the Silver Peak II Contract, the Silver Peak III Contract, the McFarland Solar A Contract, the Humidor Contract, and the Proxima Contract for MTR compliance were appropriately calculated based on the nameplate capacity multiplied by the 4-hour battery ELCC for Tranche 1 or Tranche 2, as applicable;
4. A finding that contractually pairing separate energy storage contracts (including RA-only and RA with put option contracts) and renewable generation contracts (including energy-only contracts), such as the Silver Peak II, Silver Peak III, Silver

¹⁵ Such costs include, but are not limited to, Independent Evaluator costs.

¹⁶ AL 4850-E at 25 (describing Prudent Electrical Practices as, “those practices, methods and acts that would be implemented and followed by prudent operators of electric energy storage facilities in the Western United States, similar to the Project, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment in the light of the facts known or that should reasonably have been known at the time the decision was made, could reasonably have been expected to accomplish the desired result consistent with good business practices, reliability and safety”); Section 6.01(a) of SCE’s Technology Neutral Pro Forma Contract.

¹⁷ *Id* at 24-25, Section 4.01(d) of SCE’s Technology Neutral Pro Forma Contract.

Peak PV, and Humidor contracts, meets the requirement that the zero-emitting capacity shall be from a “generation resource paired with storage (physically or contractually)” in OP 6 of the MTR Decision;

5. Approval of the form and substance of the Silver Peak PV Contract in its entirety;
6. A finding that the MTR Contracts and the Silver Peak PV Contract, and SCE's entry into them, is reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to the MTR Contracts and the Silver
7. Authorization for SCE to allocate the benefits and costs of the MTR Contracts and the Silver Peak PV Contract, to all applicable customers as described herein via the PABA; and
8. Any other and further relief as the Commission finds just and reasonable.

NOTICE

Notice of AL 4850-E was made by publication in the Commission’s Daily Calendar. SCE states that a copy of the AL was mailed and distributed in accordance with General Rule 4 of Commission General Order 96-B.

PROTESTS

SCE’s Advice Letter 4850-E was timely protested by the Public Advocates Office ("Cal Advocates") on September 6, 2022. Cal Advocates protests AL 4850-E on the grounds that SCE should not seek approval of contracts that would count towards Diablo Canyon replacement MTR requirements without providing the required documents and information. Specifically, Cal Advocates take issue with the SCE request that the Commission issue:

[a] finding that contractually pairing separate energy storage contracts (including RA-only and RA with put option contracts) and renewable generation contracts (including energy-only contracts), including the Silver Peak II, Silver Peak III, Silver Peak PV, and Humidor contracts, meets the requirement that the zero-emitting capacity shall be from a “generation resource paired with storage (physically or contractually)” in OP 6 of the Decision;

Cal Advocates notes that SCE seeks approval of only seven MW of zero-emissions capacity and also seeks approval of contracts for 435-445 MW of non-generating resources along with a determination that three of the non-generating resources meet the Diablo Canyon replacement requirements identified in OP 6 of the MTR Decision.

Further, they argue that “[n]on-generating resources alone cannot meet the requirements of the Decision and cannot be counted as Diablo Canyon replacement capacity”¹⁸. Cal Advocates also argues that “SCE has not demonstrated that the four-hour duration energy storage projects will be able to meet the five MWh per MW of NQC requirement in Ordering Paragraph 6.”¹⁹

Cal Advocates requests that the Commission require:

- 1.) SCE submit a separate Tier 3 AL for approval of zero emission contracts together with the storage contracts to qualify as Diablo Canyon replacement capacity.
- 2.) SCE demonstrate that zero-emissions energy-only resources contractually paired with storage meet the requirement to deliver 5 MWh per MW of NQC to qualify as Diablo Canyon replacement capacity.²⁰

SCE timely responded to Cal Advocates protest on September 13, 2022. In its reply SCE states that Cal Advocates protest fails to provide any basis for rejecting SCE’s requested finding. SCE argues that the Commission should not require it to submit a Tier 3 advice letter to demonstrate full compliance with the Diablo Canyon replacement requirements and notes that this “would create unnecessary delay and uncertainty and put the IOUs and their customers at a disadvantage compared to other LSEs.”²¹

SCE agrees with Cal Advocates that non-generating resources alone cannot meet the Diablo Canyon replacement requirements and notes that it plans to submit future Tier 3 ALs seeking Commission approval and cost recovery of additional contracts it plans to count toward its MTR procurement requirements (including the Diablo Canyon replacement requirements). SCE also reiterates from its AL 4850-E filing that it “will demonstrate full compliance with the Decision’s Diablo Canyon replacement requirements in future compliance filings based on the Energy Division’s template.”²²

Finally SCE notes that this approach is consistent with the Energy Division Staff FAQ Response²³ and consistent with the requirement from OP 13 of the MTR Decision that

¹⁸ Public Advocates Protest to AL 4850-E at 5

¹⁹ *Id* at 5.

²⁰ *Id* at 4-6.

²¹ Reply of SCE to Protest to AL 4850-E at 6.

²² *Id* at 5.

²³ Energy Division Staff’s Responses to Frequently Asked Questions on Mid-Term Reliability Procurement Decision (D.) 21-06-035 [d2106035_faqv2_20220318.pdf](https://www.cpuc.ca.gov/d2106035_faqv2_20220318.pdf) (ca.gov)

IOUs file Tier 3 ALs to request cost recovery for any procurement conducted as a result of the MTR Decision.

DISCUSSION

The Commission has reviewed AL 4850-E and finds that SCE's request for approval and cost recovery of the MTR Contracts and the form and substance of the Silver Peak PV contract in AL 4850-E is reasonable. Regarding SCE's request that the Commission issue a finding that:

1. [C]ontractually pairing separate energy storage contracts (including RA-only and RA with put option contracts) and renewable generation contracts (including energy-only contracts), including the Silver Peak II, Silver Peak III, Silver Peak PV, and Humidor contracts, meets the requirement that the zero-emitting capacity shall be from a "generation resource paired with storage (physically or contractually)" in OP 6 of the Decision,

We note that eligibility and counting rules associated with IRP compliance are part of the IRP compliance process and will not be addressed as part of the disposition of this AL request.

Consistency with Commission Decision, D.21-06-035

We find that SCE's AL 4850-E filing is consistent with Commission decision, D.21-06-035, the MTR Decision. As directed in the MTR Decision, SCE filed a Tier 3 AL seeking cost recovery for the MTR Contracts and the Silver Peak PV Contract.

The MTR Contracts are for 474 MW of nameplate capacity (between 433 to 445 MW of expected incremental capacity to meet the MTR requirements), expected to be online by August 1, 2023 or June 1, 2024 and will help SCE satisfy a portion of its total MTR procurement requirements. As required in the MTR Decision, the contracts are for 4-hour energy storage projects, consistent with the requirements described in Table 5 of the MTR Decision. The MTR Contracts also satisfy the 10-year or more delivery requirement.

As described in AL 4850-E, the Silver Peak PV Contract is reasonable as it is a required condition of two of the energy storage contracts.

Regarding consistency with the Diablo Canyon replacement requirements, we reiterate that eligibility and counting rules associated with IRP compliance are part of the IRP compliance process and will not be addressed as part of the disposition of this AL request.

As described in Energy Division Staff's Responses to Frequently Asked Questions on Mid-Term Reliability Procurement Decision (D.) 21-06-035, LSE's must present information on how the resources will be contractually paired, as well as an engineering assessment that demonstrates the paired resources will meet the P50 standard set in Energy Division Staff's Responses to FAQ's on MTR Decision.²⁴ LSE's should present this information through IRP's compliance process as described in the Energy Division Staff's Responses to FAQs on MTR Decision.²⁵

We decline to adopt the SCE request that the Commission issue a finding that,

“[C]ontractually pairing separate energy storage contracts (including RA-only and RA with put option contracts) and renewable generation contracts (including energy-only contracts), including the Silver Peak II, Silver Peak III, Silver Peak PV, and Humidor contracts, meets the requirement that the zero-emitting capacity shall be from a “generation resource paired with storage (physically or contractually)” in OP 6 of the Decision”

If determined through the IRP compliance process to be eligible, the Silver Peak PV Contract may also help SCE in meeting its Diablo Canyon replacement requirements via contractual pairing with an energy storage resource.

Procurement Methodology, Evaluation, and Cost Reasonableness

SCE issued its MTRRFO on July 30, 2021 to solicit offers to procure incremental resources with expected online dates of August 1, 2023 and June 1, 2024 to meet its MTR procurement requirements.

SCE retained Sedway Consulting as the IE for its MTR solicitation efforts. Sedway Consulting reviewed the MTRRFO documents, participated in communications between SCE and the participants, reviewed SCE's evaluation process, participated in

²⁴ Energy Division Staff's Responses to Frequently Asked Questions on Mid-Term Reliability Procurement Decision (D.) 21-06-035 - FAQ 1.4.13.

²⁵ *Id* - FAQ 1.4.7

communications with the PRG, and conducted its own independent evaluation of the offers. Sedway Consulting recommends that the Commission approve the MTR Contracts:

Sedway Consulting concludes that the above third tranche contracts merit CPUC approval – as well as the set of contracts submitted with SCE’s first and second tranches – because the contracts’ economics and their general terms and conditions represent the best resources available from a competitive solicitation. Sedway Consulting’s parallel evaluation yielded results that confirmed the appropriateness of the selection of these contracts....

Sedway Consulting does not view any major RFO component as needing to be changed to ensure that future solicitations are fairer or provide more efficient, lower cost results. Sedway Consulting believes that SCE has conducted a fair and rigorous solicitation for resources/contracts that will help it meet its MTR Fast Track authorized capacity needs and concurs with SCE’s request for the CPUC’s approval of the above contracts.²⁶

SCE consulted the PRG regularly throughout the MTRRFO process. Specifically, it consulted the PRG regarding the MTRRFO launch on July 28, 2021. It also consulted the PRG on August 26, 2021 and October 28, 2021 regarding its shortlisting and process. Finally, SCE consulted the PRG regarding recommended contract execution on December 3, 2021, December 17, 2021, January 13, 2022, June 2, 2022, and August 12, 2022.

We have reviewed SCE’s bid evaluation analysis and the IE Report. We agree with the IE’s finding that SCE procured the best resources for addressing the MTR needs. We find that SCE has conducted a robust, competitive solicitation with reasonable bid evaluation methodology and appropriately consulted the PRG throughout the MTRRFO process. The cost of the MTR contracts are reasonable based on the robust competitive solicitation and bid evaluation methodology.

Cost Recovery

The MTR Decision authorized cost recovery of the MTR procurement via the power charge indifference adjustment (“PCIA”):

²⁶ AL 4850-E, Public Attachment D, Independent Evaluator Report at 32.

To the extent that any resources procured in response to this order are subject to allocation using the power charge indifference adjustment (PCIA), the date of that adjustment shall be vintaged by the date of this order. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each file Tier 2 advice letters to update their balancing accounts to address the PCIA treatment as a result of this order.²⁷

SCE submitted Advice Letter 4589-E on October 14, 2021 to account for the MTR procurement requirements and cost recovery associated with the transfer of Western Community Energy customers' load to SCE's bundled service. Pursuant to Energy Division's acceptance of Advice Letter 4589-E,²⁸ costs and benefits associated with procurement complying with the MTR Decision will be recovered from applicable customers through the 2021 vintage sub-account of the PABA and include incremental administrative costs.²⁹

SCE proposes to allocate the costs associated with the MTR Contracts and the Silver Peak PV Contract and incremental administrative costs (which include, but are not limited to, the IE costs) to applicable customers, which includes bundled service customers and departing load customers with 2021 vintage cost responsibility, using the PABA.

We find that SCE's proposed cost recovery of the MTR Contracts to be consistent with OP 12 of the MTR Decision and Energy Division's approval of AL 4589-E.

Disadvantaged Community Designations

Senate Bill ("SB") 350 (de León, Chapter 547, Stats. 2015) describes disadvantaged community goals that are cross-cutting and therefore will be integrated into all policy areas. Thus, in evaluating SCE's MTR Contracts, the Commission will analyze the impacts on such communities.

²⁷ D.21-06-035 at OP 12.

²⁸ AL 4589-E became effective on October 16, 2021.

²⁹ Includes, but is not limited to, Independent Evaluator costs.

The California Environmental Protection Agency (“CalEPA”) is responsible for identifying DACs for purposes of Cap-and-Trade program funding. CalEPA has defined DACs as:

- census tracts receiving the highest 25% of overall scores in CalEnviroScreen 4.0,
- census tracts lacking overall scores in CalEnviroScreen 4.0 due to data gaps but receiving the highest 5% of CalEnviroScreen 4.0 cumulative pollution burden scores, and
- census tracts identified under the 2017 DAC designation (i.e., tracts qualifying as DAC under CalEnviroScreen 3.0) areas under the control of federally recognized Tribes.³⁰

The CalEnviroScreen tool combines twenty indicators in “population” and “pollution burden” categories. SB 350 directs the Commission to also use CalEPA’s tool to identify disadvantaged communities.

SCE notes that consistent with Public Utilities Code Section 454.52(a)(1)(I)’s requirement to minimize localized air pollutants and other GHG emissions, with early priority on DACs, it expressed a preference in its MTRRFO for preferred and energy storage resources located in DACs. The Proxima Storage I energy storage project is located in a DAC.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

³⁰ https://calepa.ca.gov/wp-content/uploads/sites/6/2022/05/Updated-Disadvantaged-Communities-Designation-DAC-May-2022-Eng.a.hp_-1.pdf

The 30-day review and 20-day comment period for the draft of this resolution is neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on September 29, 2022.

No party filed comments.

FINDINGS

1. In June 2021, D.21-06-035 directed Load Serving Entities to procure 11,500 MW of incremental September net qualifying capacity under the Commission's integrated resource planning purview over the course of four years, with 2,000 MW to be online by August 1, 2023, an additional 6,000 MW online by June 1, 2024, an additional 1,500 MW online by June 1, 2025, and an additional 2,000 MW online by June 1, 2026.
2. In June 2021, D.21-06-035 ordered the three large IOUs to file Tier 3 Advice Letters to request cost recovery for any procurement conducted as a result of the decision, except if the procurement is associated with a pumped storage resource or a utility-owned resource, for which full applications are required.
3. By Advice Letter ("AL") 4850-E, filed on August 17, 2022, SCE has submitted for approval 5 energy storage contracts and one solar form agreement that are intended to partially meet SCE's D.21-06-035 requirements.
4. SCE's methodology to evaluate the bids in the competitive solicitation that resulted in contracts presented in SCE AL 4850-E is reasonable.
5. The form and substance of the Silver Peak PV contract is reasonable as it is a required condition of two of the energy storage contracts.
6. Eligibility and counting rules associated with IRP compliance are part of the IRP compliance process and this Resolution does not need to make specific findings about how these contracts will be counted towards IRP compliance.
7. The cost of the MTR Contracts and the Silver Peak PV contract presented in SCE AL 4850-E are reasonable based on the robust competitive solicitation and bid evaluation methodology.
8. SCE's request in SCE AL 4850-E to allocate the benefits and costs of the five MTR storage Contracts and the Silver Peak PV Contract, to all applicable customers via the 2021 vintage sub-account PABA, including incremental administrative costs, is reasonable.
9. SCE's proposed cost recovery of the MTR Contracts and the Silver Peak PV contract in SCE AL 4850-E is reasonable and consistent with D.21-06-035 OP 12 and Energy Division's approval of SCE AL 4589-E.

THEREFORE IT IS ORDERED THAT:

1. Southern California Edison's request in SCE AL-4850-E for approval of the five mid-term reliability contracts (all energy storage) and related costs for a total of 474 megawatts of nameplate capacity, expected to come online August 1, 2023 or June 1, 2024 is approved.
2. Southern California Edison's request in SCE AL 4850-E for approval of the form and substance of the Silver Peak Photovoltaic contract and related costs, is approved.
3. Southern California Edison's proposed cost recovery in SCE AL 4850-E for, to allocate the benefits and costs of the MTR Contracts and the Silver Peak Photovoltaic contract to all applicable customers via the 2021 vintage sub-account of SCE's Portfolio Allocation Balancing Account, including incremental administrative costs, is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 3, 2022; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

Rachel Peterson
Executive Director

ALICE REYNOLDS
President

CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE HOUCK
JOHN REYNOLDS
Commissioners